

MONTANA BOARD OF HOUSING

Guest House Inn & Suites

3111 Steel Street

Miles City MT 59301

July 12, 2006

ROLL CALL OF BOARD

MEMBERS: Bob Thomas, Chairman (Present)
Judy Glendenning, Vice Chairman (Present)
J.P. Crowley, Secretary (Present)
Susan Moyer (Absent)
Audrey Black Eagle (Absent)
Jeff Rupp (Absent)
Betsy Scanlin (Present)

STAFF: Bruce Brensdal, Executive Director
Mat Rude, Multifamily Program Manager
Nancy Leifer, Homeownership Program Manager
Gerald Watne, Multifamily Program Specialist
Diana Hall, Administrative Assistant

COUNSEL: Pat Melby, Luxan and Murfitt

OTHERS: Dan Rosen, Merrill Lynch
Barbara Feldman, Merrill Lynch
Tim German, Sparrow Group
Beth Siville, G.K. Baum
Melissa Hartman, Miles City Housing Authority
Linda Haker, Stockman Bank
Jared Kaiser, USDA Rural Development
Heather Ripplinger, Miles City Economic Development
Kassie Taylor, First Interstate Bank
Lori Baches, First Interstate Bank
Jonathan Tague, RSVP
Della Havell, RSVP
Jay Logsdon, Americorps
Dorothy Armstrong, WA Mitchell Agency – MAR
Julie Jordan, Garfield Co. Commissioner
Jim Stretz, GK Baum
Tom Bendering
Sheila Rice, NHS/MHN
Neal Ullman, Dept of Commerce-CDBG
Jean Thomas

CALL MEETING TO ORDER

Chairman Bob Thomas called the meeting to order at 4:00 p.m.

INTRODUCTIONS AND PUBLIC COMMENTS

The Chairman asked the Board, staff, and guests to introduce themselves.

Heather Ripplinger said business is expanding in Miles City which is putting pressure on the housing market. In the last three years the housing market has increased. Construction is slow in the area. A large area in the North end of town has been put on a flood-plain; therefore it has reduced the housing available. Assisted living and low to medium income housing is an issue that comes up in meetings.

Dorothy Armstrong said the average price of housing is \$75,000-\$85,000. The lower end properties need a rehab program. Nancy Leifer responded that Montana Board of Housing (MBOH) does 301K loans.

Melissa Hartman gave an update on the Holy Rosary project. The project will have 21 family units.

UNDERWRITERS PRESENTATIONS

Dan Rosen and Barbara Feldman gave a presentation of underwriting service provided through Merrill Lynch.

Jim Stretz and Beth Siville gave a presentation of services available through George K Baum.

APPROVAL OF MINUTES

Betsy Scanlin moved to approve the June 6, 2006 minutes. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

MULTIFAMILY PROGRAM

Mat Rude presented an exception request to the \$30,000 lump sum limit. Judy Glendenning moved to accept the exception. J P Crowley seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Mat said comments were received on 2 issues for the Qualified Allocation Plan (QAP). One was regarding capping the developer fees and the other was regarding changing the date from the beginning of January to the beginning of February to be closer to HOME funding. Staff received and presented many comments on capping the developer fees. Gerald said there was a group of people that have starting serious work on green building and energy scoring, but it is a work in progress with criteria set forth for 2007 to try.

Bruce said Jeff Rupp wanted to table the discussion for the QAP approval so he could give more input on capping developer fees, which he strongly supports. Discussion points included that developers are waiting to know so they can start working on projects and get applications together, especially in the area of energy designs. Also, it was suggested to go forward without that segment on capping developer fees as it takes time to get the Governor's signature. Betsy pointed out that response was unanimous regarding this issue. Staff said last year, it would have affected two out of eight projects in 2006. Pat Melby said the options are to adopt the plan today or put it off until next meeting. Also, you could approve all of it except the developer fee. Board members said they sympathize with Jeff wanting to be part of the discussion, but it has been on the agenda and comments would indicate that we might be going down a path we aren't ready for. Tim German commented that people who are very experienced in the development industry seem to agree that capping the developer fee could be detrimental to the project. He said the fee is a funding source that makes the project work as costs increase. If you lower the cost and don't get the fee when the rents are not high, you don't get the credits and then sources and uses don't balance, especially when interest rates are going up and rents are fixed. The second part is the risk that limited partners have because of cost overruns by the time they get it built and leased, but developers are locked into a guaranteed cost when the application is submitted. Betsy Scanlin moved to table the vote on the QAP until the August meeting. J P Crowley

seconded the motion. The Chairman asked for public comments. The motion failed for lack of support with J P Crowley and Bob Thomas voting in favor of the motion and Betsy Scanlin and Judy Glendenning voting against the motion in a roll call vote. Betsy Scanlin moved to adopt the QAP as presented by staff. Judy Glendenning seconded the motion. After discussion Mat Rude recommended the QAP be amended to take out the language to cap developer fees. Betsy moved to amend the original motion to eliminate the phrase "*The maximum total developer fee for acquisition and construction cannot exceed \$500,000*" under the section on Builder's profit and developer fees from the QAP proposal. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed with Betsy Scanlin, Judy Glendenning, and Bob Thomas voting in favor of the motion and J P Crowley voting against the motion. Betsy Scanlin went back to the original motion to adopt the QAP as amended, taking out the developer fee cap, which Judy seconded. The Chairman asked for public comments. The motion passed unanimously.

HOMEOWNERSHIP PROGRAM

Nancy Leifer introduced Sheila Rice of the Montana Homeownership Network (MHN) who gave an overview of the benefits of MHN that came from an evaluation process. She reviewed what they do, why they do it, and long-term outcomes. MHN is advertising for foreclosure prevention on the radio and TV. Out of 278 calls, only 89 were homeowners in trouble. People are calling early to find out their options.

Nancy Leifer reported that there have been two loans in the Mortgage Credit Certificate Program. She updated the Board on the Fannie Mae-My Montana Mortgage Program which was using our debt from one of the bond purchases and there is \$400,000 left that is uncommitted.

The quarterly foreclosure and delinquency reports compares MBOH with Montana, the region, and the nation. MBOH's rates are below the average for all of these. The loan delinquency analysis shows delinquencies by Servicer, County, Setaside, and Loan Type.

Nancy gave an update on a project in Red Lodge that will submit an application for Gap Lot Financing. They propose to purchase 6 lots for \$260,000 and will install modular homes for families to purchase. The Ravalli County Teachers Program is going back through the review process with the Federal Reserve Bank for approval as a qualified investment and Manhattan State Bank project is on hold pending the out come.

Interest rates have gone up; however, MBOH's rate of 6% seems to be good in comparison to conventional loans. Funds are going out quickly with approximately \$4.2 million yet to commit in the 2006 B. Staff proposes doing a bond issue of \$72 million lendable proceeds and also some refunding. The bond pricing will be in August with the bond closing in September in San Francisco. Staff is considering raising MBOH rates to ½% margin rather than ¾% margin of market rates because of bond cap limitations and also to improve the strength of the Indenture. The average loan amount is \$120,000 which is a significant increase from last year. The Board would like to see samples comparing each margin.

The setaside summary report shows how funds are moving. Nancy requested that \$18 million of the new bond issue should be allocated for the Setaside Programs (which is 25%) and \$12 million of that go directly to the down-payment pool. J P Crowley moved to approve the request. Judy Glendenning seconded the motion. The Chairman asked for public comments. The motion passed unanimously.

Nancy gave background information for the strategic planning meeting in August. She defined parity as having more assets than liability. Parity is an influential component of MBOH's bond rating. She explained the different funding sources and options for use and encouraged the Board to review the information for strategic financial planning. Bruce asked Board members for topics for the August retreat.

EXECUTIVE DIRECTOR

Bruce Brensdal presented the Housing Division Highlights, a press release for the meeting in Miles City, and

a rebuttal for Reverse Annuity Mortgages. There has been some coverage on the recapture tax reimbursement. Anastasia is looking into some on-line advertising and considering a budget for advertising. She is working on making the website more user friendly.

Bruce said the Legislative proposal to make administrative changes to the Housing Revolving Loan Account to make it more flexible and a continuing funding source was disapproved by the budget office and the Governor's office. Staff can provide support, but can't take the lead. Betsy encouraged this to be on the agenda for the retreat.

Bob Thomas challenged the Board members to speak at local club meetings. Bruce said there will be a public meeting in Glendive on July 13th in Glendive and encouraged Board members to come.

The next meeting is scheduled for August 18th in Lolo. Meetings are tentatively planned for September 22 in Great Falls, October 20th Deer Lodge, and November 17 in Helena.

The meeting adjourned at 8:50 p.m.

J. P. Crowley, Secretary

Date